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No. _____

THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1994

U.S.A. DIRECT, INC., RICHARD OSBORNE,

WILLIAM P. BRADLEY and DENNIS ZIEGLER,

Petitioners

v.

NORTH AMERICAN COMMUNICATIONS, INC.,

Respondent

PETITION FOR A WRIT OF CERTIORARI

PETITION FOR A WRIT OF CERTIORARI TO THE

SUPREME COURT OF THE UNITED STATES

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QUESTIONS PRESENTED FOR REVIEW

I. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S FAILURE TO CONDUCT A HEARING TO DETERMINE WHETHER THE INFORMATION SOUGHT BY RESPONDENT CONSTITUTED CONFIDENTIAL TRADE SECRETS AND THE POTENTIAL INJURY TO PETITIONER RESULTING FROM ITS PRO-DUCTION.

II. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S DENIAL OF PETITIONERS' MOTION FOR RECONSIDERATION ABSENT AN EVIDENTIARY HEARING.

III. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S ORDER DIRECTING THE PRODUCTION OF CONFIDENTIAL TRADE SECRETS PRIOR TO DETERMINING RESPONDENT'S ENTITLEMENT TO AN ACCOUNTING.

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OFFICIAL AND UNOFFICIAL REPORTS

OF OPINIONS

1. **North American Communications, Inc. v. U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler**[1]

In the Court of Common Pleas of York County, Pennsylvania

No. 93-SU-01136-07

On September 7, 1993, the Honorable John C. Uhler filed an Order in the Court of Common Pleas of York County, Pennsylvania, as follows:

1. Plaintiffs' Motion to Compel the defendants to produce (a) accounts receivable ledgers; (b) tax returns; and (c) customer list is granted.

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[1] **All parties to the proceeding in the court whose judgment is sought to be reviewed are identified in the caption of the case.**

2. All other Motions are denied.

2. **North American Communications, Inc. v. U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Court of Common Pleas of York County, Pennsylvania

No. 93-SU-01136-07

On June 10, 1993, a Stipulation and Order of Confidentiality signed by the Honorable John C. Uhler and counsel for the Petitioner and Respondent was filed in the Court of Common Pleas of York County, Pennsylvania.

3. **North American Communications, Inc. v. U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Court of Common Pleas of York County, Pennsylvania

No. 93-SU-01136-07

On December 10, 1993, the Honorable John C. Uhler filed an Order in the Court of Common Pleas of York County, Pennsylvania, directing the defendant produce for the plaintiff, subject to the existing Confidentiality Agreement and Order, its:

1. account receivable ledgers;
2. tax returns; and
3. customer lists.

4. **North American Communications, Inc. v. U.S.A. Direct, Inc. and Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Superior Court of Pennsylvania

No. 2 MDM 94

By Order dated March 14, 1994, the Superior Court of Pennsylvania, PER CURIAM, denied U.S.A. Direct, Inc. and Richard Osborne, William P. Bradley, and Dennis Ziegler's Petition for Review.

5. **North American Communications, Inc. v. U.S.A. Direct, Inc. and Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Supreme Court of Pennsylvania Middle District

No. 172 Middle District, Allocatur Docket 1994

By Order dated October 21, 1994, the Supreme Court of Pennsylvania denied Petitioner's Petition for Allowance of Appeal.

STATEMENT OF JURISDICTION

By Order dated October 21, 1994, the Supreme Court of Pennsylvania denied Petitioner's Petition for Allowance of Appeal from the Order of the Superior Court of Pennsylvania denying Petitioner's Petition for Review. This Court has jurisdiction to review the Decree of the Pennsylvania Supreme Court by Writ of Certiorari pursuant to 28 U.S.C. §1257.

CONSTITUTIONAL PROVISION INVOLVED IN CASE

The constitutional provision involved in this case is Article XIV of the Amendments to the Constitution of the United States of America. Article XIV of said Amendments states as follows:

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law;

nor deny to any person within its jurisdiction equal protection of the laws.

STATEMENT OF THE CASE

On March 15, 1993, Respondent, North American Communications, Inc., (hereinafter "NAC" or "Respondent") filed a Petition for a Preliminary Injunction and a Complaint in Equity against Petitioners, USA Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler in the Court of Common Pleas of York County, Pennsylvania. The Respondent alleged that trade secret information, to include knowledge of processes and devices for the efficient processing of mass mailings, were misappropriated from NAC to USA Direct, Inc. (hereinafter "USA Direct"). NAC did not seek a temporary restraining order.

In its Complaint in Equity, NAC sought, inter alia, an Accounting of income USA Direct allegedly received through the use of NAC's trade secret

information. NAC also sought judgment for money damages for those lost profits, including the imposition of a constructive trust against Defendants for any income earned from the alleged misappropriation of trade secret information.

Petitioners filed an Answer and New Matter, denying misappropriation of any trade secret information, and further denying that NAC maintained its processes or machinery in a confidential manner so as to accord them "trade secret" status.

Following the filing of suit, the parties entered into a Stipulated Confidentiality Order to control the exchange of Discovery. Paragraph 14 of this Stipulation and Order states, "Nothing in this Stipulation and Order shall be construed or interpreted as the waiver of each party's right to object to the production of documents or information in accordance with the

privileges and objections recognized under the laws of the Commonwealth of Pennsylvania."

On March 18, 1993, NAC served its First Request for Production of Documents on Petitioners. Among other items, NAC requested USA Direct's federal and state income tax returns for fiscal years 1991 and 1992, USA Direct's client list for 1992 and 1993, as well as USA Direct's accounts receivable ledgers for 1991 through 1993. USA Direct responded to NAC's request by objecting to the production of this financial and customer information on the grounds that it constituted proprietary and confidential trade secret information, which would be employed by competitor NAC to the Petitioners' financial detriment. As of the date of filing this Petition some twenty-one (21) months after commencing the action, NAC has sought no other docu-

ments of USA Direct nor taken any depositions of any potential witnesses.

On July 2, 1993, NAC filed a Motion to Compel production of the financial information objected to by USA Direct. On July 8, 1993, Petitioners filed a Motion for a Protective Order pursuant to Pennsylvania Rule of Civil Procedure 4012(a)(9) opposing Respondent's Motion to Compel on the grounds that the financial information requested constituted confidential trade secrets, that the material was irrelevant to the issue of misappropriation of trade secrets, and that its disclosure would irreparably injure USA Direct. Concurrently, Petitioners filed a Motion to bifurcate the equity proceeding against Defendants. The bifurcation Motion sought a determination on the merits whether there was any misappropriation of trade secrets, with a second hearing, if

necessary, to determine damages if liability on the merits was established.

On September 3, 1993, York County Court of Common Pleas Judge John C. Uhler issued an Order, directing USA Direct to produce its accounts receivable ledgers, tax returns, and customer lists to NAC. In its Order, the court denied Defendants' request to bifurcate the proceeding, noting that as the requested information was "necessary and relevant," bifurcation is unnecessary.

On September 13, 1993, Defendants filed a Motion for Reconsideration of the Judge's Order of September 3, 1993. Coupled with this Motion was Defendants' request that an evidentiary hearing be held by the court in order to take evidence whether the financial information sought by Respondent did,

indeed, constitute trade secrets and whether its disclosure would irreparably injure USA Direct.

On September 28, 1993, Petitioners filed a Memorandum of Law in support of their Motion for Reconsideration. In Section II of Defendants' Memorandum of Law, Petitioners requested that if the court continued to order USA Direct to produce its financial information, the court certify its Order for Interlocutory Appeal to the Pennsylvania Superior Court pursuant to 42 Pa. C.S.A. §702(b).

On December 9, 1993, Judge Uhler issued an Order, denying Petitioners' Motion for Reconsideration, and again ordering the unrestricted production of USA Direct's financial records and customer lists. In the December 9th Order, Judge Uhler did not address in any way Defendants' request that the Discovery issue be certified for permissive

interlocutory appeal to the Superior Court. To date, no evidentiary hearing has been held by the Court of Common Pleas.

Respondent, NAC, and Petitioner, USA Direct, Inc. are competitors in the area of mass mail marketing. Respondent, NAC, operates its principal place of business in Duncansville, Pennsylvania. USA Direct operates its primary place of business in York, Pennsylvania. Both entities compete on a national level for the same customers to mass-produce high quality mail solicitations, such as political solicitations and credit card applications. In producing and processing these mass mailings for customers, both entities rely upon innovative technology and machinery, which can efficiently assemble, process, and mail thousands of pieces of mail per hour. Defendants Richard Osborne and William P. Bradley

are, respectively, the President and Vice President of USA Direct. Defendant Dennis Ziegler was formerly an independent contractor providing mechanical engineering services to NAC, who is now an employee of USA Direct. From 1985 until May 29, 1992, Dennis Ziegler, through his proprietorship, Denmar Engineering, provided NAC with mechanical engineering services in developing machinery and processes to more efficiently process NAC's mass market mailings. In particular, Denmar developed a "camera system" that facilitates the machine-matching of mail inserts with their appropriately addressed envelopes by photographing and matching small codes appearing on the envelopes and letter inserts.

Upon leaving NAC, Dennis Ziegler was hired by William P. Bradley of USA Direct as a mechanical engineer. Upon learning that Dennis Ziegler was

employed by USA Direct, NAC filed suit alleging that Dennis Ziegler had misappropriated trade secrets specifying the camera matching system to the use of USA Direct. USA Direct has pleaded that it independently developed its own camera matching system before Dennis Ziegler was hired, that the camera developed by USA Direct was in use by USA Direct for a substantial period of time prior to the hiring of Dennis Ziegler, and that its camera system is significantly different in design and operation from that employed by NAC.

In addition to bringing suit against USA Direct for misappropriation of trade secrets, NAC has pleaded causes of action against Richard Osborne, William P. Bradley, and Dennis Ziegler, individually, alleging that they intentionally sought to misappropriate NAC's proprietary trade secret info-

rmation. No non-compete agreement or confidentiality agreement was ever signed by Dennis Ziegler with NAC nor is the existence of such agreements alleged in the Complaint of NAC.

The financial information that has been ordered produced contains information which USA Direct has maintained through internal policy and security procedures in a confidential manner. The accounts receivable ledger requested by NAC contains not only the names of customers and their balances with USA Direct, but also the following internal business information:

a. The name and telephone number of the primary customer contact at each of USA Direct's clients' place of business;

b. the name of the sales representative from USA Direct who handles each customer's particular account;

c. aged customer balances, which enable one to determine whether a particular customer is desirable from a timeliness of payment viewpoint;

d. the seasonal buying patterns of customers;

e. the credit terms that have been extended to each customer, including the level of credit extended, as well as the payment method; and

f. cursory description of the particular services performed for each customer.

ARGUMENT

On October 21, 1994, the Supreme Court of Pennsylvania denied Petitioner's Petition for Allowance of Appeal from the Order of the Superior Court of Pennsylvania. By doing this, it affirmed the opinions issued by the Honorable John C. Uhler in the Court of Common Pleas of York County, Pennsylvania. The result thereof was the denial of Petitioner's Fourteenth Amendment right to due process, as Petitioners are being ordered to irrevocably surrender the property rights inherent in trade secret information without benefit of a hearing.

QUESTIONS OF LAW

I. **WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S FAILURE TO CONDUCT A HEARING TO DETERMINE (1) WHETHER THE INFORMATION SOUGHT BY RESPONDENT CONSTITUTED CONFIDENTIAL TRADE SECRETS; AND (2) THE POTENTIAL INJURY TO PETITIONER RESULTING FROM ITS PRODUCTION.**

The law in the Commonwealth of Pennsylvania places customer lists and receivables ledgers within the class of information that may be protected as trade secrets. Van Products Co. v. General Welding & Fabricating Co., 419 Pa. 248, 213 A.2d 769, 776 (Pa. 1965); Den-Tal-Ez, Inc. v. Siemans Capital

Corp., 389 Pa. Super. 219, 251, 566, A.2d 1214 (1989). A three-part test should be employed in determining whether potential trade secret information should be turned over during Discovery. First, the court must determine if the information sought is indeed a trade secret. Van Products at 268. Obviously, unless a preliminary determination is made as to whether a trade secret exists, the appropriateness of a protective order under Pa. R.C.P. 4012 (a)(9) cannot be determined. Second, the court must determine if the trade secret information sought is relevant to issues in dispute in the case. Pa. R.C.P. 4003.1. Third, and perhaps most importantly, the court must weigh the injury that will be done to the producing party in turning over its trade secret information in contrast to the injury that will be done to the party seeking the Discovery if it is not permitted

this information. See, Coca-Cola Bottling Co. v. Coca-Cola Co., 107 F.R.D. 288, 292 (D. Del. 1985) (relied upon by Judge Uhler in his Opinion and Order of September 3, 1993).

In the present case, Petitioners contend that the trial court violated their due process rights as a result of its failure to conduct an evidentiary hearing prior to ordering the production of USA Direct's confidential trade secrets. This Court has stated that whether trial is federal or state, the concern of due process is with the fair administration of justice. Mayberry v. Pennsylvania, 400 U.S. 455, 272 L.Ed.2d 532, 540, 91 S.Ct. 499 (1971). Due process is a flexible concept that varies with the particular situation. To determine what procedural protections the Constitution requires in a particular case, this Court weighs several factors:

> First, the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.

Zinermon v. Burch, 494 U.S. 113, 108 L.Ed.2d 100, 115, 110 S.Ct. 975 (1990)(citing, Mathews v. Eldridge, 424 U.S. 319, 335, 47 L.Ed.2d 18, 96 S.Ct. 893 (1976)). "Applying this test, the court usually has held the Constitution requires some kind of a hearing

before the state deprives a person of liberty or property. Id., at 115, 494 U.S. 113, 110 S.Ct. 975 (emphasis in original)(citations omitted).

Weighing the factors identified by this Court results in the conclusion that the trial court's order refusing Petitioner's request for an evidentiary hearing was a denial of their due process rights. First, the private interest that will be affected is USA Direct's right to maintain its trade secrets confidential. The disclosure of such highly sensitive material to a direct competitor will result in the loss of any competitive advantage USA Direct maintains over Respondent. Such a result lends credence to USA Direct's belief that Respondent filed the instant frivolous law suit for the sole purpose of damaging USA Direct's market share.

Second, the risk of an erroneous deprivation of such interest through the procedures prescribed by the trial court are inevitable. Without the benefit of an evidentiary hearing, the trial court directed USA Direct to produce its confidential trade secrets. Once this information reaches Respondent, the harm of an erroneous deprivation cannot be undone. The simple procedural safeguards requested by Petitioners were that (1) an evidentiary hearing be conducted to determine if, in fact, such information should be considered confidential trade secrets, and/or (2) bifurcate the proceeding requiring Respondent to first prove whether trade secrets were misappropriated. The alleged confidential financial information is only relevant when and if Respondent is able to prove a misappropriation. Therefore, if Respondent is unable to prove a misappropriation, the production of

financial information would not be necessary. The value and ease of implementation of these two procedural safeguards was not considered by the trial court.

Finally, the trial court's interest in denying Petitioners' request is minimal. The only additional burden placed on the trial court would have been the administration of one evidentiary hearing. As a result of this hearing, the court could have made an informed and just decision.

The application of the Mathews test set forth above is evidence that the Constitution required an evidentiary hearing prior to the trial judge summarily ordering the production of Petitioners' confidential trade secrets. Therefore, the trial court's actions in this case were a violation of Petitioners' due process rights.

A substantial error resulted in the instant case as a result of the Court of Common Pleas limiting its analysis only to the relevancy prong of the Coca-Cola three-part test. As the Pennsylvania Supreme Court noted in Van Products, the first step in any trade secret litigation is to determine if a trade secret even exists. Id. at 268. In the instant case, the trial court denied Petitioners the constitutional right to due process and committed error by: (1) failing to make any determination as to whether Defendants' financial and customer information were trade secrets before ordering it produced; and (2) failing to determine if Respondent had any "trade secrets" at all before compelling Petitioner to produce its own proprietary information. Finally, its most egregious error resulted in its denial of Petitioners' request for an evidentiary hearing to present evidence that its confidential

financial and customer information were indeed trade secrets.

In its Motion for Reconsideration of the court's Order compelling production, the Petitioners presented the court with the affidavit of USA Direct President, Richard Osborne, in which he presented the court with facts regarding the confidential nature in which USA Direct maintained its customer lists and financial information.[2] Despite this affidavit being the only evidence of record regarding the Petitioners' trade secret information, the court denied the Motion for Reconsideration.

The court further erred by failing to perform any analysis consistent with the Coca-Cola case by

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[2] This affidavit was intended to show the court that a genuine factual and legal issue existed that Defendant's client list and financial information constituted trade secrets, necessitating a factual hearing. The affidavit was not intended to be a substitute for such a hearing.

balancing the injuries to the respective parties by compelling or refusing production of the information sought. The court noted in passing in its September 3, 1993 opinion, that the court should balance the injuries that will occur to the respective parties, but then failed at any point in its opinion or order to do so. Such a weighing of injuries was impossible, of course, because no evidentiary record had been developed. The court simply noted that such a test was appropriate, and then ordered production based upon an empty evidentiary record. As noted previously, the court then subsequently denied Petitioners' request for such an evidentiary hearing.

The existence or not of a trade secret is a substantive legal issue upon which there can be reasonable disagreement by the courts. The determination whether an item is accorded trade secret

status or not is a question of law, rather than a factual finding. Van Products. By failing to address in any way whether USA Direct's income tax returns for fiscal years 1991 and 1992, client lists for 1992 and 1993, and accounts receivable ledgers for 1991 through 1993 are trade secret information prior to ordering its production, the Court of Common Pleas erred to the extreme prejudice of the Petitioners and violated their due process rights. The instant Petition should be granted in order that the Court of Common Pleas of York County, Pennsylvania be directed to address the issue whether the Petitioners' financial information should be accorded trade secret status, and weigh the respective harm to the parties in granting or denying production. In the alternative, as no evidentiary record has yet been created, the Petition should be granted so that the Court of

Common Pleas of York County, Pennsylvania, may be ordered to conduct an evidentiary hearing to determine: (1) whether the financial information sought constitutes a trade secret, and (2) the harm to the parties upon ruling upon the Motion to Compel. Each of these issues is a controlling question of law to which there is substantial ground for difference of opinion. The resolution of this issue will materially advance the ultimate determination of the matter, in that if the court determines that the financial information should not be produced, the only issues remaining will be to determine whether USA Direct misappropriated any trade secret information from Respondent. This is the central issue of this litigation. The financial information sought by the Respondent, while relevant to the issue of damages, and having only the most peripheral relevance to issues of

liability, will only delay and obfuscate a ruling upon the core issue, which is whether a trade secret was ever misappropriated from Respondent. If the court determines that no trade secrets exist at Respondent, or that none were misappropriated, this case will be over and issues regarding the production of financial information will be rendered moot.

II. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S DENIAL OF PETITIONERS' MOTION FOR RECONSIDERATION ABSENT AN EVIDENTIARY HEARING.

In accordance with Coca-Cola and Van Products, a court must weigh the relative injury to each party in ruling whether trade secret information would be produced. The obvious question that arises in the context of the instant case is, how did the court perform any weighing without a hearing to create an evidentiary record? In the instant action, following the court's initial Order compelling USA Direct to produce its financial information, the Petitioners filed a Motion for Reconsideration requesting an evidentiary hearing in order to establish an evidentiary record. In its

Motion for Reconsideration, the Petitioners included the affidavit of USA Direct President, Richard Osborne, in which he indicated the obvious harm that would occur to USA Direct if it was required to produce its financial information. However, this affidavit was never considered by the court on the merits, because it denied Petitioners' Motion for Reconsideration. Therefore, there was absolutely no evidence of record before the court when it Ordered USA Direct to produce its financial information. This is error on its face, as both Coca-Cola and Van Products call upon the court to determine, as an initial step, whether a trade secret exists and what the respective injuries to the parties will be in producing this information. It is readily apparent from the fact that no evidentiary record existed at the time the court ruled upon USA Direct's Motion for a Protective Order

and upon Petitioners' Request for Reconsideration, that no such weighing of the respective injuries could have occurred.

As no weighing of the potential injury to USA Direct in producing its trade secret information occurred, and as it is apparent that the court did not make any determination whether the Discovery sought was a trade secret, there exists an unresolved legal issue upon which substantial ground exists for a difference of opinion. Further, the determination of this issue will materially advance determination of this matter, by properly bifurcating this proceeding into two components; the first of which will determine whether trade secrets existed for either party, and whether these trade secrets were misappropriated. The second portion of the proceeding, if necessary, will determine the production of financial information. The

granting of this petition will also avoid irreversible injury to the Petitioners if it is compelled to produce its financial information at this early stage of the litigation, and it is later determined by the court that no entitlement to an Accounting exists.

The granting of the Petition will also enable the Court to address the applicability of the Delaware Coca-Cola case to the law of the Commonwealth of Pennsylvania. Although Pennsylvania trade secret case law supports the principle that the weighing of harm between the parties should be made prior to requiring the production of trade secret information, the appellate courts have not expressly ruled upon this issue. The instant action provides the Court with an avenue to directly address what legal standards must be applied before Ordering the production of trade secrets in Discovery.

Respondents recognize that trade secret status is not an absolute protection against Discovery in litigation. However, of what use is the concept "trade secret" if all a competitor need do in order to obtain these secrets is pay $55 to the prothonotary (clerk of the civil court) to initiate a frivolous lawsuit and then require the other party who is a competitor to produce confidential financial information through discovery before any evidence is taken? Before denying a party the important property rights protected by trade secret status, a court must, at a minimum, take some evidence to measure the potential damage caused by disclosure and to determine if trade secrets exist. Otherwise, the concept of "trade secret" is meaningless, as it provides no protection to the possessor of the secrets once any litigation is initiated. The denial of any evidentiary hearing to determine trade secret

status prior to compelling production denies the party claiming trade secret protection an opportunity to be heard, and thus denies due process of law under the Fourteenth Amendment.

III. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S ORDER DIRECTING THE PRODUCTION OF CONFIDENTIAL TRADE SECRETS PRIOR TO DETERMINING RESPONDENT'S ENTITLEMENT TO AN ACCOUNTING.

In its request for relief in equity, respondent seeks an Accounting. Such an Accounting would seek to determine what income, if any, Petitioner, USA Direct, has received through the alleged misappropriation of technology and processes from Respondent, NAC. The court's Order compelling USA Direct to reveal its customer lists, tax returns, and trade receivables to NAC prior to any evidentiary hearing on the merits, in effect grants the Respondent

the Accounting it seeks, prior to an adjudication on the merits. This issue has been previously litigated before the Superior Court of Pennsylvania, with the court opining that where the entitlement to an Accounting is in dispute, requiring the Defendant to produce its financial records in Discovery is improper. Gibson v. Botti, 334 Pa. Super. 275, 482 A.2d 1332, 1335 (1984). See also, Frank v. Light Coach Company, Inc., 72 D. & C. 2d 122 (Lebanon C.C.P. 1976). (In an equitable action for an Accounting, before becoming entitled to prehearing production of Defendant's business records, Respondent must first show that he is in fact entitled to an Accounting); Simon v. Simon, 4 D. & C. 3d 176 (Phila. C.C.P. 1978). (Discovery of business records in an action for an Accounting, in effect, grants a partial Accounting prior to adjudication of entitlement).

By The York County Court of Common Pleas granting the motion to compel Petitioner's financial information without developing an evidentiary record, the court has improperly granted the Respondent's request for an Accounting under Pa. R.C.P. 1530 without taking any evidence to establish entitlement thereto. While the Superior Court recognized in Gibson that the production of such financial records may be proper where "It is undisputed that the complaining party is entitled to some percentage or other 'sum certain'",[3] in the instant action the entitlement to any sum is highly contested and speculative. In the instant case, Petitioners dispute that any duty to account exists, because they never misappropriated any trade secrets or processes from Respondent. As entitlement to an Accounting pursuant to Pa. R.C.P.

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[3] Gibson, at 1335, citing Damirgian v. Damirgian, 262 Pa. Super. 463, 396 A.2d 1263 (1978).

1530 is disputed, factually, granting an Order compelling production upon an empty evidentiary record is an abuse of discretion and a violation of Petitioners' due process rights.

The court in Frank v. Light Coach Company, supra, found that there is no prejudice to the party initially denied production of the opposing party's financial information in an action for an Accounting, because he will ultimately obtain the information, if he shows entitlement to it on the merits. Id. at 123. However, if the moving party fails to show an entitlement to the information, an order prematurely requiring its production operates to the irreversible prejudice of the producing party. As the court noted in Frank, "Ultimately, it might be shown Respondent has no right to an Accounting--a hollow, meaningless picture if Respondent meanwhile obtains through

Discovery what he is later denied in equity." Id. at 123, 124. The court further noted, "[Plaintiff] does not need an Accounting to prove he is entitled to one." Id at 123. In Simon v. Simon, supra, an action in equity based upon a forged instrument, the Philadelphia County Court of Common Pleas reached this same result in denying Plaintiff production of the Defendant's tax returns and other privileged business information where an Accounting was part of the relief sought. The court, relying upon Pa. R.C.P. 1530, held:

> If Discovery is permitted which gives plaintiff the relief he seeks before he shows that he is entitled to it, the Accounting demand will be, in practical terms, moot when the matter is to be adjudicated. Plaintiff will have had the

benefit of an Accounting without showing entitlement to it.

Simon at 178-179.

Recognizing the irreversible damage of such premature production, the court further declared; "Defendants will be prejudiced, for in the event that an Accounting is denied, plaintiff will have already received their otherwise privileged private financial information." Id at 179.

In the instant case, Petitioners sought to avoid this exact injustice, by filing a Motion requesting that the court grant a bifurcated proceeding in which the central issue of whether any trade secret had been misappropriated would first be litigated. The Court of Common Pleas denied the request for a bifurcated proceeding in its September 3, 1993 Opinion and Order on the basis that the information sought in

Discovery was "relevant." The trial court ruled that because the financial information requested had some probative value to the issues being litigated, that it must be produced. The court rejected Petitioners' arguments that the production of the requested records was premature when absolutely no evidence pertaining to the Respondent's allegations of trade secret misappropriation had been presented. Under Frank and Simon, this was an abuse of discretion, and under the provisions of Article XIV of the Amendments to the Constitution of the United States of America, a violation of the rights of USA Direct to an evidentiary due process hearing, making it appropriate for this Honorable Court to grant Defendants' Petition for Review.

WHEREFORE, Petitioners, U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler, respectfully request that this Honorable Court grant their Petition for Writ of Certiorari to the Supreme Court of the United States.

Respectfully submitted,

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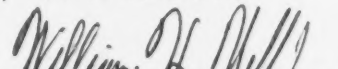
BY: 
William H. Neff Jr.
Supreme Court
ID #07414

Attorney for Petitioners